

COUNTRY OF ORIGIN INFLUENCES AND CONSUMER DECISION

MAKING - A STUDY OF INDIAN MARKET

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ABSTRACT

The relationship between country of origin of a product and its impact on consumer decision making is a much researched for long in the various parts of the world. It is very critical to examine what does an Indian consumer think about his/her preferences for products originating from different parts of the globe. Does it really matter for him whether the product is made in India, China or USA for instance ? The Country of Origin significance gets evolved in the mind of the consumer from his/her experience, exposure and information about the product and from the references of others. The present research is aimed at investigating such preferences of Indian Consumers. The statistical analysis shows that Indians in general try to know the Country of Origin of product though they don't change their decision drastically if the product is not made in a country of their choice. This can be concluded from the study that the country of origin of a product has a significant influence on the quality perceptions of a product. It is further observed that consumer's perceptions of various countries are definitely linked to quality of product, and if they try to be product specific, they try to be country specific as well.

KEYWORDS : *Country of Origin, Consumer Behavior, Consumer Preferences and Purchase Decision*

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INTRODUCTION

India, the unique country with huge population, incomparable versatility in culture, beliefs and tastes. Why we have states like Punjab in the North of this nation whose habitats like chilly taste in every food they eat and we have states like Gujarat in the west, which is famous for the sugary delicacy in every meal. The most noticeable impact of liberalization and globalization in the Indian economy has been the availability of foreign products and services to the Indian customers. Today, foreign products and services have dominated the Indian markets. The Indian manufacturers have very hard competition not only from their Indian companies but also foreign players. But in this marketing war, today the options for consumers are greater than ever before. While purchasing almost anything the Indian customer has multiple options. Moreover, they have the choice to choose which product to go for, and the product made in which country or which brand depending upon the product features. Country of origin effect can be defined as any influence that the country of manufacture has on a consumer's positive or negative perception of a product (Cateora and Graham, 1999). With increasing availability of foreign goods in most national markets, the country of origin cue has become more important as consumers often evaluate imported goods differently than they do competing domestic products. Martin & Eroglu, 1993 has defined "Country-image is the total of all descriptive, inferential and informational beliefs that a consumer has

about a particular country. Both current and past images of sourcing countries play a role in determining brand and product perceptions”.

For instance, the perceived image of a product made in a country having a strong image and brand image may suffer by outsourcing production in those nations which have weak images in the minds of consumers.(cf. Brodowsky, Tan, & Meilich, 2004; Nebenzahl & Jaffe, 1996). Selecting a country where a company wants to have manufacturing base is a very critical decision for managers of multinational companies. This decision is certainly influenced by the consumer preferences about a particular product made in a particular country. In this context, the issue of Country of Origin effect is having more and more significance among the marketers and researchers on Consumer behavior. There is a long on- going study on the broad subject of whether the country of origin of a product plays any part on determining the acceptance of that product in the market. The Country of Origin effect is an extraneous product attribute which informs the customer about the country where it was made. It certainly helps the consumers to form a perception about the quality performance and price of the product. The country image stereotype plays an important role in creating the Country of Origin effect. According to country-of-origin effects, positive country image can, without any doubt, make an impact on the consumers' behaviors to purchase products and brands made in the country. The image of the country plays an important role in the distribution and sales of the product in another country. The consumers while choosing a product among various brands evaluate the different attributes, the price, and durability along with the Country of Origin. A product with a strong and positive country image has a fair chance of being acceptable by the consumers easily as compared to the product from a negative country image. According to Ahmed et al. (2010), COO affects consumer perceptions as a purchasing cue for indicator of quality, as symbolic and emotional connection to consumer and as a link with consumer's social and personal norms. At the same time in support of consumers' perception of superior quality based on COO, one would expect such COO effects to influence the firms' pricing decisions (Agrawal, 2004). Brands with a favorable COO image are generally better accepted by the customers than brands from countries with less favorable image. Many research studies have reported that COO is one of the prime factors influencing consumers' buying behaviour. The present study focuses on the behavioral pattern of Indian consumers. The study intends to examine the relative effects of brand's COO image on the mind of consumers. For satisfying the objective of the study the certain durables products available in Indian market were explored and investigated.

RESEARCH OBJECTIVES

The research was carried out, keeping in view the following objectives:

- To investigate the effect of Country Of Origin of a brand on consumer Choice
- To analyze the consumer attitudes towards Domestic and Foreign products (for consumer durable products).
- To investigate the pattern of preference of the consumer as far as the country from where the brand/product has originated, is concerned.

LITERATURE REVIEW

From the history of Country of Origin studies it can be traced that these studies originated in 1970 when Nagashima (1970) in his study on country image perceptions carried out a survey on Japanese and US business people for the products originating from the other countries. He had defined country image as the picture, the reputation and the

stereotype that businessmen and consumers attach to a specific country. This image is created by variables such as products, national characteristics, economic and political backgrounds, history and traditions. In India, every function becomes colourful with ladies wearing silk saris. And very important the factor is whether that Saari is made in Banaras or Kashmir or Kanchipuram. These two places from where these saaris originate have acquired a preference and social status over the years in the minds of Indian women or the women who like to wear saaris irrespective of the place in the world., because the saaris made in these two places means quality, nobility in the minds of customers, hence gets easy acceptance and becomes the first preference while shopping for any family function Similarly in India you can widely hear “ Agra made petha, Kinnaur Apples, patiala jutti etc. The story of these products can be traced back to history and over a period, the ‘place of manufacture’ of these products, for instance, got attached to the product itself and conveyed a cue which affected the decision making process of the customer in a favorable way. This consumers' preference for the products was created through sustained and continuous creation of such products of quality and status, and attributed by the generations of satisfied customers. Thakor and Kohli (1996) argue that although Country of Origin has a significant contribution towards consumers' evaluation of the quality still its role in influencing consumers' actual choice behavior is limited in the presence of other information and cues. When a consumer forms an attitude about a brand, Country of Origin as an information cue may be quite insignificant. The other influencing factors may be the affordability, need,urgency which may further influence the actual choice behavior. Taking into consideration the above facts, consumers may not be interested to pay a high price or expect discounts simply because of the Country of Origin of brands (Agrawal, 2004). Similarly this effect may not necessarily lead to price premium or discounts in the marketplace. Many researchers in the past (Papadopoulos, 1993) reported the companies emphasizing Country of Origin in their brand decisions. As discussed above,the consumers' perception of a particular Country of Origin has an impact on their product evaluation, this will obviously has a significant impact on purchase attitude, choice and post purchase behaviour. A brand is the totality of thoughts, feelings, sensations, and associations it evokes. A brand is said to have strong equity if it can influence the consumer behavior from the product's or the brand's intangible qualities e.g. dynamism, innovation, esteem etc. The amalgamation of the tangible and intangible aspect forms the brand identity. Aaker (1996) defines Brand Identity as “a unique set of brand associations that the marketers aspire to create or maintain,” which forms the brand associations. In this way, brand identity of a particular brand impact brand associations and in turn the brand equity. Many researchers (Cordell, 1992; Hong and Wyer, 1989, 1990;Thorelli et al., 1989) reported that the Country of Origin is an extrinsic product cue. Generally consumers form a strong opinion about a country's products and its attributes. Hence Contry of Origin image certainly makes an impact on choice of products and brands (Srikatanyoo and Gnoth, 2002).

STUDY METHODOLOGY

The study was carried out in the national capital region with major sample from New Delhi. New Delhi,being a blend of many cultures can be presumed as mini India. People from almost all the Indian states have made Delhi as their home. There are ample opportunities which open their doors to people from all walks of life in Delhi due to which, Delhi is an ideal place to do consumer behavior survey as you will find consumer of all kinds in this metropolitan city. The method chosen for the survey was personal interview method for which the questionnaire for the consumer behaviour investigation with reference Country of Origin effect on the minds of consumers was developed after a thorough research of the objectives and the clues from the past studies in various countries on this subject of immense importance. After the first Section which covers demographic details,the second section of the questionnaire deals with country of origin statements in general seeking the insight into the minds of the consumers regarding Country of Origin clues. The scale developed had

six degrees dimensions with regard to the degree to which a respondent gives importance to the country of origin aspect of product while making decisions for purchasing a product. The questionnaire included questions for information seeking regarding Country of Origin, and for what attributes that information is being sought and the relationship which a customer sees between Country of Origin and quality of product, experience with product, knowledge of product, technological sophistication of product. Further it was also examined whether country of origin was the first information a customer seeks or not much importance is given to it initially. It was also examined whether the co-relation exists between country of Origin and malfunctioning of consumer durables, between Country of Origin and brand preference etc. In the third part of the questionnaire questions were asked about the respondents' preference for a particular country for a particular attribute reflected in the question. The respondent was asked to choose among the seven countries namely India, USA, Japan, Korea, China, Germany and UK. In addition an eighth option was given for any other country too so that the answer is not restricted to the countries given in the options.

The study of country image is applied to the Indian consumer to help understand better the Indian consumer perception of foreign products based on the country of origin effect. The questionnaire administered face-to-face to 210 consumers in national capital region. Statistical analysis was done to identify factors contributing to the observed degree of effect of Country of Origin on consumer's mind while making decision regarding a product, its brand and the importance of Country of origin in the choice. Delhi and national capital region being one of the progressive part of India having people from all over the country as its residents has a population of about more than fifteen million people, Consumers in this region are sophisticated and are often exposed to both imported and local products. They are more likely to be familiar with foreign consumer products; as such they do represent a good sample of Indian consumers in general. The questionnaire distributed and responses filled with the help of face to face interview asking or guiding the respondents throughout the questions. This allowed the respondent to understand the questionnaire better and answer the questions more sincerely. The respondents come from diverse backgrounds, and they work in different organizations such as banks, multinational companies, telecommunication companies, wholesalers, retailers and other business enterprises. Some of them are government employees and students of institutions of higher learning. Out of the two hundred and ten questionnaires that were distributed, five were not found to be up to the mark of sincerity to be analyzed, and this represented merely 2.5 percent of the total questionnaires. Such questionnaires had to be discarded because the respondents did not completely answer or fill up the questionnaire or refused to fill the questionnaire. Therefore, a total of two hundred and five (205) questionnaires were accepted for data gathering and analysis, which represented a total of approximately 98%. Data analysis is conducted using the Statistical Package for Social Science (SPSS) and MS Excel.

STUDY ANALYSIS

Apart from the first section dealing with demographic details of consumer, in second section of the questionnaire, there are fourteen statements concerning the general opinion of the respondents regarding the country of origin information and they are asked to indicate how strongly they agree or disagree with each of the statement. In this analysis, the researchers seek to understand the general opinion of Indian consumers on country of origin information. The result is Table 1 as shown below. From Table 1, all the fifteen statements in the questionnaire have a mean score of 2.9123 (The lower score indicates more agreement with the statement as the scale was from 1 indicating strongly agree to 6 indicating strongly disagree).

Table 1: Opinion of Indian Consumers on Country of Origin Information

| Statement (Response Sought from Respondents Varies from Strongly Agree to Strongly Disagree on a Six Point Scale) | N | Mean |
|---|-----|------|
| 1. While purchasing expensive items such as a computer, TV or Mobile phone, I always seek to find out what country the product was made in. | 205 | 2.16 |
| 2. I feel that it is important to look for a country of origin information when deciding which product to buy. | 205 | 2.35 |
| 3. To be sure that I buy the highest quality product or brand, I look to see what country of Origin of the product. | 205 | 2.68 |
| 4. If I don't have any experience with a product, I search for country of origin information about the product to help me make a more informed decision. | 205 | 2.86 |
| 5. I refuse to purchase a product without knowing its country of origin | 205 | 3.9 |
| 6. When purchasing a product, I think country of origin will determine the technological sophistication of the product. | 205 | 2.73 |
| 7. When buying a new product, the country of origin is the first piece of information that I consider. | 205 | 4.23 |
| 8. A product's country of origin does not determine the quality of the product. | 205 | 4.98 |
| 9. When buying a product that has a high risk of malfunction, for example a digital camera, a person should always try to see its country of origin. | 205 | 2.87 |
| 10. It is less important to look for country of origin while purchasing less expensive product such as a garment. | 205 | 1.91 |
| 11. I find out a product's country of origin to determine the quality of a product | 205 | 2.68 |
| 12. To purchase a product that is acceptable to my family and friends, I always look for the product's country of origin. | 205 | 2.88 |
| 13.. I look for country of origin information to choose the best product available in a product class | 205 | 2.64 |
| 14. I am very much brand conscious when buying a product like computer, TV, mobile phone, refrigerator etc. | 205 | 2.76 |
| 15. I usually change my decision to buy a product if the product is made in a developed country. Or some other country other than the country of origin of that brand | 205 | 3.12 |

NET MEAN SCORE : 2.9123 (Except for statement no. 8 and 10 which were opposite statements which are interpreted separately)

Score for statement 8 (A product's country of origin does not determine the quality of the product) is 4.98) indicating that generally people think that the country of Origin determines the quality of a product.

Score for statement 10 (i.e. It is less important to look for country of origin while purchasing less expensive product such as a garment) showing that most of people agree with the statement that that the Country of origin is not important for less expensive items)

Finally, it can inferred that in most of the purchase decision especially involving expensive items, Indian customer thinks that it is important to search for country of origin information while making a choice of the product for purchase.

PREFERENCE OF COUNTRIES FOR VARIOUS ATTRIBUTES

In this questionnaire, consumers are also asked to choose the country of their choice for the various questions related to the purchase decision and product quality. Consumers chose the country, the one which is best suited to the question, in their opinion. On the basis of the countries chosen for the various quality and service attributes the country ranked best was chosen was marked i.e. the country which was the choice of maximum number of respondents as shown in Table 2 below:

Table 2: Percentage Distribution of Respondents Choosing Most Sought After Country for Various Attributes

| Statement (The Respondent was Asked to Choose among Following Countries: A) India B) USA C) Japan D) Korea E) China F) Germany G)UK H)any Other Country | Country Ranked Best | %Age Voting in Favour (N=205) |
|---|---------------------|-------------------------------|
| 1.Products made in which country are very well suited to the needs of the Indian Consumer? | India | 38.40% |
| 2.Products made in which nation are generally available in a wide choice of sizes and models? | China | 29.90% |
| 3. The manufacturing firms of which country are more concerned with the outward appearance of the product than with the product performance? | China | 49.00% |
| 4.Products made in which country are usually quite reliable and seem to last the desired length of time? | Japan | 30.10% |
| 5. Products made in which country occupy a very strong competitive position in comparison to the products made in other countries? | Japan | 39.90% |
| 6. The products made in which country are carefully produced and have a fine workmanship? | Japan | 40.10% |
| 7. Products made in which country are generally of lower quality than the similar products available from other countries? | China | 65.60% |
| 8. The quality of the most of the products made in which of the following country has improved over the past several years? | India | 47.70% |
| 9. Products made in which of the following countries show a very high degree of technological advancement? | Japan | 43.1% |
| 10. Products made in which country generally lack creativity and are very imitative of the products made in other countries? | China | 31.40% |
| 11. Products made in which country are giving you value for money? | Japan | 30.80% |
| 12. The warranties and guaranties of the products made in which country are generally backed by the firms selling these products. | India | 33.80% |
| 13. or the products made in which country repair and maintenance services are adequately provided? | India | 44.60% |
| 14. The products made in which country are considered as symbol of status? | Japan | 29.90%* |

* USA was very close claimant for the position with %age of 28.6%

From the table, it is quite evident that the first choice of the respondents was Japan for most of the positive attribute related to reliability, competitive position, technological development, symbol of status, fine workmanship, quality, service, satisfaction etc. The United States of America was a close competitor in many positive attributes. China due to its bad reputation for quality and durability of the products was the frequently appearing response when related to some negative attribute like low product performance, lower quality, lack of creativity, imitation etc. Although consumers opined that the Chinese goods have wide choice of sizes and models. The respondents were also of the opinion that the products made in India are suited the needs of Indian consumers and quality of the products made in India have improved significantly over the last few years. To conclude we can say, Japan, Germany, the United States of America and the United Kingdom are assumed by Indians to be countries which produce high quality products. Interestingly. Indian products are preferred by the local consumer over Chinese, reflecting that they are perceived to be of a higher quality than those originating from China.

CONCLUSIONS

On the basis of the respondents survey, data and its analysis it can be inferred, the Indian consumer certainly links the country of origin information to the quality of a product selected for purchase. In general, he or she is inclined to attribute quality to a product that is made in developed countries, and Japan in particular got a high score for the impression of producing high quality products. Indian products do not rank as high in the mind of the average local consumer. Still, he or she believes that the local made-in India product is of a higher quality than other countries like China which has become notorious for its low quality, imitations and low durability of products. This clearly indicates that there is no particular bias on the part of a consumer for a local or foreign product, rather, as this study has shown, as a country becomes more developed economically, the products that it produces will be perceived to be of a higher and better quality. This explains clearly why India has got lower rank behind the more developed countries like Japan, the USA and the UK, and ahead of other countries like China. Therefore, the general conclusion is that the average Indian consumer relates the quality of product with the economic development and image of the product's country of origin as well its past record in producing those goods. Early studies have shown the tendency for products from emerging economies to be negatively perceived by consumers (Bilkey and Nes, 1982; Cordell, 1992). Other studies also suggest a relationship between country of origin effect and the level of economic development (Wang and Lamb, 1983), with products from developed countries being perceived as superior to those from underdeveloped and developing countries. India, too, is in strong endeavour to improve its image as many of Indian corporate houses like L&T, Mahindra and Mahindra, Tata Motors, Godrej to name a few giving lot of stress on the factors which contribute in the global acceptability of "Made in India" products and services.

RECOMMENDATIONS

It is important for marketers to give more stress on product dimensions such as the product quality, its technological sophistication and its price in marketing their products in the local Indian market than its country of origin factor. However, marketers should put more emphasis on the country of origin factor if the product is made in developed countries such as Japan, Germany or the USA. On the other hand, if a product is made in developing countries, or lesser known under developing economies, the marketers should give more importance to the product quality, its technological performance and its price rather than the country of origin aspect since giving undue significance to the country of origin dimension may be detrimental to the marketing efforts for any product irrespective of its brand. Increasingly firms with International aspirations are targeting emerging markets, especially BRICI- Brazil, Russia, India, China and Indonesia. As these economies grow, large number of consumers who previously lived at subsistence levels have become able to afford higher value products(Noel Capon and S.S. Singh, 2014). Hence these economies have to improve their made in tag. India Inc. has to work harder on quality and reliability front so that the image of India made goods get better not only in India but also in the whole world.

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